

Congress of the United States
Washington, DC 20510

October 29, 2015

Chairman Tom Wheeler
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Chairman Wheeler:

As members of the Washington State Congressional Delegation, we write to you to express our concern about the potential negative impact on the State of Washington that could arise from the Federal Communications Commission's implementation of the Alternative Connect America Cost Model or A-CAM.

Under all versions of A-CAM that have been proposed to date, there is a significant reduction in high-cost support for rural areas in the State of Washington. In fact, the reduction is projected to be over \$ 4 million on an annual basis, or nearly one-third of the 2014 level of support.

In looking at the results from the A-CAM model for Washington state, we are concerned about the efficacy of the model in its current standing.

We have been informed that the A-CAM model, which is applied to rate-of-return companies, was developed using price cap inputs.

As the Commission is fully aware, rate-of-return companies are much smaller than their price cap counterparts and the costs tend to be higher.

Instead of relying on the model as it currently stands, we advocate that any forward looking cost model adopted by the Commission to apply to small rate-of-return companies should be developed in a way that recognizes the unique characteristics of those rate-of-return companies, rather than using data from the larger price cap companies.

We support the goal of developing robust broadband capable networks in rural America, including rural Washington. Such broadband capable networks are the key to economic development and commerce in our rural, agricultural areas. Washington's rate-of-return companies have made great strides in this area, and some offer the fastest Internet speeds available in our state. But there is more work to do and we are concerned that using a mismatched cost model will have the effect of stunting the further development of those broadband capable networks.

We ask that the Commission focus its attention on developing a forward looking cost model using rate-of-return company inputs including as many company-specific inputs as is feasible. We also ask that the Commission invest sufficient time and care to be sure any new

system for new investment be accurate, cost-beneficial, and that the details be fully vetted and transparent.

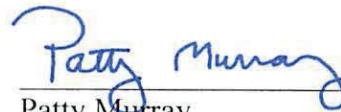
Furthermore, while we recognize that the model is optional, we are also concerned about the uncertainty of alternative FCC proposals that may require carriers to keep two sets of books.

Accordingly we also urge the FCC to adopt a methodology that minimizes the administrative burden on small, rural, rate-of-return companies.

Sincerely,



Maria Cantwell,
U.S. Senator



Patty Murray,
U.S. Senator



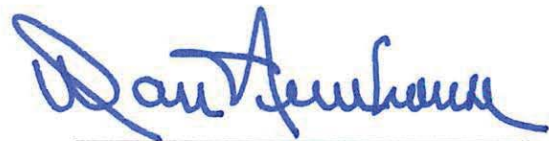
Suzan DelBene,
Member of Congress



Rick Larsen,
Member of Congress



Jaime Herrera Beutler,
Member of Congress



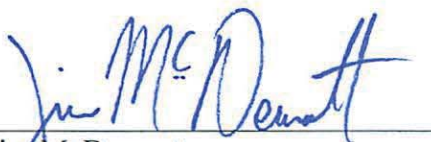
Dan Newhouse,
Member of Congress



Cathy McMorris Rodgers,
Member of Congress



Derek Kilmer,
Member of Congress



Jim McDermott,
Member of Congress



Dave Reichert,
Member of Congress



Adam Smith,
Member of Congress



Denny Heck,
Member of Congress



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

December 16, 2015

OFFICE OF
THE CHAIRMAN

The Honorable Maria Cantwell
United States Senate
311 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Cantwell:

Thank you for your letter expressing your concern about the potential negative impact on the State of Washington that could arise from the Commission's adoption of the Alternative Connect America Cost Model (A-CAM). In particular, you are concerned that there would be a significant reduction in total high-cost support for rate-of-return companies in the state of Washington if A-CAM were used to calculate their support. Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

In April 2014, the Commission proposed a transition framework for a voluntary election by rate-of-return carriers to receive model-based support, and tentatively concluded that such a framework could achieve important universal service benefits by creating incentives for deployment of voice and broadband-capable infrastructure. At that time, the Commission directed the Wireline Competition Bureau (Bureau) to incorporate the results of the study area boundary data collection in the Connect America Cost Model and to make such other adjustments as appropriate for use of that model in areas served by rate-of-return carriers.

In your letter, you stress that any forward-looking cost model adopted by the Commission for small rate-of-return companies should recognize the unique characteristics of these rural companies. I could not agree more. Although the cost model was originally developed for use in price cap areas, it always has included a size adjustment factor—based on rate-of-return company data—to scale operating expenses for “small, x-small, and xx-small” companies, and has reflected cost differences based on density. The Bureau has been further refining A-CAM since the first version was released nearly a year ago and, among other things, has incorporated rate-of-return study area boundaries and central office locations submitted by rate-of-return companies. I expect the next version of A-CAM will include company-specific inputs for plant mix (the ratios of aerial, buried and underground outside plant) also based on submissions by rate-of-return companies.

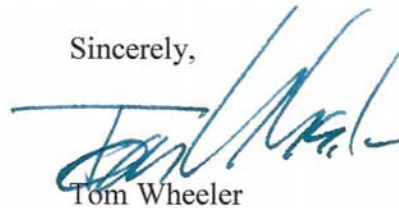
With respect to your concern regarding a reduction in high-cost support for carriers in your state, you correctly observe that receiving support based on the model is optional. I note that under the most recent illustrative A-CAM results, almost half of the rate-of-return carriers in Washington (eight out of eighteen) would receive more support from the model than they currently receive from the legacy funding mechanisms, rather than less. Those eight companies

generally have less broadband deployment than the other ten companies, and the additional support could increase access to broadband in these areas. While work on the model continues, and the final numbers may vary to some extent, these results suggest that this policy option could be beneficial to your state.

Finally, in considering additional reforms impacting carriers that remain on traditional rate-of-return support mechanisms, we are looking at reforms that will transition outdated mechanisms to support broadband networks, while accommodating the divergent interests of all the stakeholders.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

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Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 16, 2015

The Honorable Denny Heck
U.S. House of Representatives
425 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Heck:

Thank you for your letter expressing your concern about the potential negative impact on the State of Washington that could arise from the Commission's adoption of the Alternative Connect America Cost Model (A-CAM). In particular, you are concerned that there would be a significant reduction in total high-cost support for rate-of-return companies in the state of Washington if A-CAM were used to calculate their support. Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

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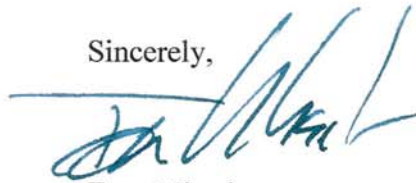
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Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 16, 2015

The Honorable Derek Kilmer
U.S. House of Representatives
1429 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Kilmer:

Thank you for your letter expressing your concern about the potential negative impact on the State of Washington that could arise from the Commission's adoption of the Alternative Connect America Cost Model (A-CAM). In particular, you are concerned that there would be a significant reduction in total high-cost support for rate-of-return companies in the state of Washington if A-CAM were used to calculate their support. Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

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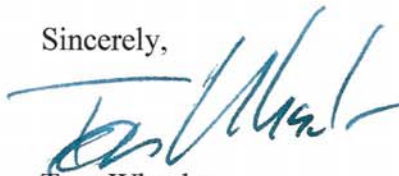
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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 16, 2015

The Honorable Rick Larsen
U.S. House of Representatives
2113 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Larsen:

Thank you for your letter expressing your concern about the potential negative impact on the State of Washington that could arise from the Commission's adoption of the Alternative Connect America Cost Model (A-CAM). In particular, you are concerned that there would be a significant reduction in total high-cost support for rate-of-return companies in the state of Washington if A-CAM were used to calculate their support. Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

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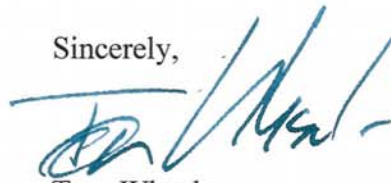
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FEDERAL COMMUNICATIONS COMMISSION
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OFFICE OF
THE CHAIRMAN

December 16, 2015

The Honorable Jim McDermott
U.S. House of Representatives
1035 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman McDermott:

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
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December 16, 2015

The Honorable Patty Murray
United States Senate
173 Russell Senate Office Building
Washington, D.C. 20510

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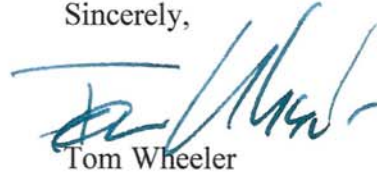
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